GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:929
ANSWERED ON:29.07.2005
DEFICIT OF STATES
Singh Shri Mohan

Will the Minister of FINANCE be pleased to state:

(a) the total deficit of all the States of. the country in terms of rupees and its percentage out of GDP of the country;

(b) whether the Government is contemplating to make all the States debt free;

(c) if so, the details thereof;

(d) the percentage share of States in Central taxes such as income tax, service tax and excise and customs duties; and

(e) the steps taken by the Government to increase the share of States in Central taxes?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) The aggregate gross fiscal deficit of all states, including the National Capital Territory (NCT) of Delhi has been estimated at Rs.1,41,010 Crore in 2003-04 (RE). This constituted 5.1% of GDP.

(b & c) Consequent to the acceptance of the recommendations of the Twelfth Finance Commission, Govt. of India has formulated a scheme `The States` Debt Consolidation and Relief Facility (DCRF).` TFC has recommended that the central loans to States contracted till 31.3.04 and outstanding on 31.3.05 may be consolidated and rescheduled for a fresh term of 20 years (resulting in repayment in 20 equal installments), and an interest rate of 7.5 per cent be charged on them. The scheme of write-off shall be available for all states from the year they have qualified for the general debt relief by enacting the fiscal responsibility legislation. The quantum of write-off of repayment will be linked to the absolute amount by which the revenue deficit is reduced in each successive year during the award period from the base level of revenue deficit compiled by TFC. In effect, if the revenue deficit is brought down to zero in 2008-09, the entire repayments during the period will be written-off.

(d & e) States share in central taxes is fixed on the basis of recommendations of Finance Commissions. Based on the recommendation of the Twelfth Finance Commission, the States share in the net proceeds of shareable central taxes has been raised from 29.5 per cent to 30.5 per cent.